

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CROTHERSVILLE

JACKSON COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED

12/05/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Staci Peters Danieta Foster	01-01-20 to 08-03-21 08-04-21 to 12-31-22
President of the Town Council	Danieta Foster (Vacant) Jason Hillenburg	01-01-20 to 08-03-21 08-04-21 to 09-06-21 09-07-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CROTHERSVILLE, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Crothersville (Town), for the period from January 1, 2020 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 16, 2022

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CLERK-TREASURER
TOWN OF CROTHERSVILLE

CLERK-TREASURER
TOWN OF CROTHERSVILLE
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

A similar comment appeared in prior Report B55988, entitled *CAPITAL ASSETS*.

Condition and Context

The Town (including utilities) failed to maintain a detailed listing of all capital assets owned and complete a physical inventory every two years. As a result, the required Capital Asset Schedule in the Annual Financial Report was not completed.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Reports B51839, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*; and B55988, entitled *INTERNAL CONTROLS*.

Condition and Context

Internal controls over financial close and reporting, cash and investments, receipts, and payroll disbursements were insufficient.

Financial Close and Reporting

A proper system of internal control was not in place to prevent, or detect and correct, errors on the Annual Financial Report submission. Financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, was not reviewed and approved by someone other than the person entering the data. As a result, the following errors remained undetected:

1. The Sewer SRF Construction fund was omitted from the financial statement. This resulted in receipts and disbursements to be understated by \$5,787,000 and \$489,671, respectively, for 2020, and \$1,324 and \$3,422,438, respectively, for 2021.
2. The Sewer SRF Reserve fund was omitted from the financial statement causing receipts to be understated by \$54,350 for 2021.

CLERK-TREASURER
TOWN OF CROTHERSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

3. The Sewer SRF Bond & Interest fund receipts were understated by \$29,972 and disbursements were understated by \$84,322 for 2021.
4. The federal expenditures reported for the Federal Schedule of Financial Assistance were incorrect. One federal grant was omitted for both 2020 and 2021, resulting in an understatement of federal expenditures of \$50,457 and \$423,632, for 2020 and 2021, respectively.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement and to the Annual Financial Reports.

Cash and Investments

Internal controls were not in place to ensure that monthly reconciliations were being performed for all depository accounts. During 2021, the depository accounts associated with the SRF Wastewater Utility accounts were not being reconciled.

Receipts

Internal controls were not in place to ensure all receipts had been properly posted to the records. Someone other than the person who collected and issued the receipts posted the receipts to the records; however, no documentation was presented that a verification was being performed to ensure that the total receipts posted agree to the total receipts issued and total amount deposited.

Payroll Disbursements

Internal controls were not in place to ensure that payroll disbursements were accurate. The Town Council approved all payroll disbursements as listed on the claim docket; however, the payroll disbursements listed on the claim docket were in total and did not provide a detail of the pay for each individual employee to ensure the accuracy of the amount paid to each employee.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

CLERK-TREASURER
TOWN OF CROTHERSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

OVERDRAWN CASH BALANCES

A similar comment appeared in prior Report B55988, entitled *OVERDRAWN CASH BALANCES*.

Condition and Context

The following funds had deficit cash balances on December 31:

Fund	2020	2021
Park Nonreverting Capital	\$ 14,260	\$ -
Community Grant Fund	4,482	-
Sewer Construction	226,650	226,650
Payroll PERF withhold	3,604	4,198
Payroll Federal Withholding	670	127
Non/Revert Housing Fund	100	-

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CARES ACT FUND

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3.

The Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town utilized fund 101 entitled, General fund, for reimbursements received from the Indiana Finance Authority (IFA).

CLERK-TREASURER
TOWN OF CROTHERSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020)*.

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020*. . . .**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

CLERK-TREASURER
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AUDIT RESULTS AND COMMENTS
(Continued)

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Framework Two. If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

(State Examiner Directive 2020-3)

CLERK TREASURER
TOWN OF CROTHERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2022, with Danieta Foster, Clerk-Treasurer; Terry L. Richey, Town Council member; and Katherine Masters, Deputy Clerk-Treasurer.